

Loan Closing

The Loan Closing is the process by which loan documents and/or other legal documents are executed by the Owner (Mortgagor/Borrower), Contractor, Minnesota Housing Finance Agency (Minnesota Housing), and possibly other Lenders. The Loan Closing occurs before any loan proceeds are disbursed and typically before any work is started. It is based upon approval of loan documents, legal documents, 100% Contract Documents, and award of construction contract to successful Contractor (Single Prime General Contractor).

At the time of the Loan Closing, Minnesota Housing secures a favorable opinion of counsel for the Borrower as to the requirements of the Minnesota Housing Loan Commitment and Building Loan Agreement, and, upon recording of the loan documents, the Title Insurance Policy insuring Minnesota Housing's interest as Mortgagee. In addition, all development financing must be in place prior to or concurrent with the Loan Closing.

If loan disbursement is needed during the construction phase ("Construction Loan"), the General Partner(s) (Owner), Owner's Attorney, General Contractor, Architect, Surety Representative, Title Insurance Representative, and Processing Agent (if applicable) must attend the Loan Closing.

If loan disbursement is not needed until after construction is completed ("End Loan"), the Loan Closing typically occurs after all site improvements are completed and the Architect is normally not required to attend.

If Minnesota Housing is Lead Lender, Loan Closing will normally take place at Minnesota Housing. Following Loan Closing, funds are disbursed in accordance with Building Loan Agreement and Master Disbursement Agreement executed at Loan Closing.

Purpose: The Loan Closing typically places funding needed for new construction and/or rehabilitation in effect so draw disbursements can be made during the Construction Phase or after construction is completed.

Architect's Role:

The Architect's role leading up to and at Loan Closing will vary depending if "Construction Loan" or "End Loan".

The Architect's role leading up to Loan Closing typically is as follows:

1. Furnishing to Minnesota Housing for review and approval the following items:

- Two (2) complete sets of approved, certified, 100% Contract Documents;
 - Architect's opinion letter (Minnesota Housing Form); and
 - Architect's invoice(s) for payment (if applicable).
2. Providing guidance to the Developer in preparing the construction agreement and conditions.
 3. If "Construction Loan":
 - Becoming familiar with Minnesota Housing Assignment of Architects Contract document; and
 - Approving and certifying Contractor's application for payment, if applicable.
 4. If "End Loan":
 - Performing normal contract administration services; and
 - Preparing Certificate of Substantial Completion and list of any remaining work yet to be completed (punch list) including any nonconforming items. (Minnesota Housing will typically require 1.5 times the estimated value for such items to be withheld from the Contractor until all items are completed and verified.) Minnesota Housing reserves the right to require all punch list and/or alleged nonconforming items to be completed and/or corrected prior to Loan Closing.
 5. If new construction (unless exempt), executing the "Certification of Contract Document Compliance" form associated with the Minnesota Housing Multifamily Sustainable Housing Standards.

The Architect's role at Loan Closing typically is as follows:

1. If "Construction Loan":
 - Attending Loan Closing;
 - Executing Minnesota Housing's assignment document (referenced above);
 - Initialing the final Contract Documents including plans and specifications, as requested by Minnesota Housing; and
 - Participating in Pre-Construction Meeting (typically held at time of Loan Closing) to discuss construction draw schedule and procedures.
2. If "End Loan", Architect participation is normally not required.